GOVERNMENT OF INDIA
URBAN DEVELOPMENT AND POVERTY ALLEVATION
LOK SABHA

STARRED QUESTION NO:134
ANSWERED ON:31.07.2001
CHANGES IN PLANNING AND RESOURCE MOBILISATION
GOWDAR MALLIKARJUNAPPA

Will the Minister of URBAN DEVELOPMENT AND POVERTY ALLEVATION be pleased to state:

(a) whether the Union Government propose to bring necessary changes in planning and resource mobilisation of urban local bodies in order to meet the challenges of urbanisation;

(b) if so, whether the Government also propose to formulate reform-oriented agenda for improving their financial strength towards sustainable growth;

(c) if so, the details thereof and the steps taken to strengthen the financial position of urban local bodies;

(d) whether it is a fact that 32% people are living below the poverty line in the urban areas; and

(e) if so, the steps being taken by the Union Government to remove the poverty?

Answer

MINISTER OF URBAN DEVELOPMENT & POVERTY ALLEVIATION (SHRI JAGMOHAN)

(a)to(e): A Statement is laid on the Table of the Sabha.

STATEMENTREFERREDTO IN REPLY TO LOK SABHAS TARREDQUESTION NO.134 FOR 31.7.2001, REGARDIN CHANGES IN PLANNING AND RESOURCE MOBILISATION.

(a)to(c):The Constitution 74th Amendment Act 1992 has brought in a third tier in the system of governance by constitutionally recognising the Municipalities as institutions of self government for urban governance. Under Article 243-W of Constitution 74th Amendment Act, 1992 Legislature of a State may, by law endow the municipalities with such powers and authority as may be necessary to enable them to function as institutions of self government and such law may contain provisions for the devolution of powers and responsibilities upon Municipalities, subject to such conditions as may be specified therein, with respect to the preparation of plans for economic development and social justice. Article 243 ZD and 243 ZE of the 74th Amendment provides constitution of District Planning Committee and Metropolitan Planning Committee for every metropolitan area respectively.

As per Entry 5 of the State List II under VIIth Schedule of the Constitution, Local Government, including Municipal Corporations, Improvement Trusts etc., is a State subject. In view of this, it is for State Governments to take necessary steps to make requisite changes in planning and resource mobilisation to meet the challenge of urbanisation and also to take steps to improve financial position of Urban Local Bodies. The Constitution 74th(Amendment) Act, 1992 already provides for devolution of adequate functional and financial powers to Urban Local Bodies to enable them to function as an effective institution of Local Self Government. All State Governments have made necessary changes in the concerned municipal laws to devolve the functional and financial powers to Urban Local Bodies. Many of the State Finance Commissions set up by the State Governments have made recommendations for transferring adequate finances to Urban Local Bodies and also to bring certain changes in the existing tax structure.

The Union Government has planned the following steps to strengthen the financial position of the urban local bodies:

1. PROPERTY TAX REFORMS:-Guidelines were issued by this Ministry in 1998 for property tax reforms to all State Governments with the objective of simplification and rationalisation of property tax. These measures are in the process of implementation by a number of States like Bihar, Madhya Pradesh, Gujarat, Tamil Nadu, Uttar Pradesh and Karnataka.

2. LEVY OF TAXES AND USER CHARGES:- The issue of levying of user charges and taxes was one of the items deliberated upon by the Central Council of Local Government and Urban Development held on 18.5.1999. Keeping in view the importance of taxes and user charges in the municipal revenue the Council recommended that:

(i) State Government should give greater autonomy to urban local bodies in fixation of tax rates, user charges etc.

(ii) Revision of tax rates, user charges should be done periodically atleast once in 3 years.

3. FISCAL CONCESSION FOR ATTRACTING INVESTMENT IN URBAN INFRASTRUCTURE:

A number of fiscal concessions were provided in Finance Act, 2000 to attract increased investments in urban infrastructure.

4. MUNICIPAL ACCOUNTING REFORMS:- The present municipal accounting reforms do not provide enough information for enlisting the financial performance and status of urban local bodies. It is, therefore, felt that a double entry accrual based system which enable the preparation of a reliable detailed financial statements subject to check and balance, needs to be introduced. Technical Guidelines on accounting and financial reporting by urban local bodies was brought out by the Institute of Chartered Accountant of India (ICAI) in October 2000. Since the responsibility for exercising control and supervision over the proper maintenance of accounts and their audit of all ULBs has devolved on the Comptroller & Auditor General (C&AG), in pursuance to the recommendations of the Eleventh Finance Commission, the Technical Guidelines brought out by the ICAI has been forwarded to C&AG for approval, after which the same will be circulated to all ULBs.

5. TAX FREE MUNICIPAL BONDS:- The Central Government inserted a new sub section 10(15)vii in the Income Tax Act 1961 to provide that any income as interest on bonds issued by a local authority and specified by a notification in the official gazette will be exempted from income tax. Guidelines were issued on 8.2.2001 for regulating the issue of tax free municipal bonds.

6. FOREIGN DIRECT INVESTMENT:- In line with the Government`s policy declaration of 2000 for increased foreign direct investment in manufacturing sector, urban infrastructure facilities are open to FDI both under FIPB and the automatic route as per the sector specific guidelines.

(d)&(e): As per the Planning Commission`s estimates 32.36% persons were living below poverty line in urban areas in the year 1993-94.

The Ministry of Urban Development and Poverty Alleviation has been implementing `Swarna Jayanti Shahari Rojgar Yojana (SJSRY)` an urban poverty alleviation Centrally Sponsored Scheme with effect from 01.12.1997 through the States/Union Territories to provide gainful employment to the urban unemployed or underemployed poor
(i) through encouraging the setting up of self-employment ventures by those who have read upto 9th standard and
(ii) through provision of wage employment for construction of socially and economically useful public assets. The SJSRY is funded on the 75:25 basis between Centre and the States. From 01.12.1997 to 31.03.2001, Rs.461 crores have been released to the States/UTs under this Programme. Under Urban Self Employment Programme 344186 persons have been assisted to set up their micro enterprises and also, 379.33 lakhs number of mandays of work have been generated under the Urban Wage Employment Programme of SJSRY upto 31.03.2001.